

FINANCE COMMITTEE

Fiscal Year 2005

The Finance Committee advises the Town of Amherst on matters affecting Town finances and makes transfers from the Reserve Fund to cover extraordinary or unforeseen expenses. The largest part of the Committee's work consists of adopting guidelines for managing the Town's money and recommending a comprehensive budget to Annual Town Meeting each spring. We also make recommendations on any articles of Annual and Special Town Meeting that have significant financial implications.

The financial guidelines are developed in consultation with the elected boards that oversee the major components of the Town's operations: the Select Board, the School Committee and the Jones Library Trustees. The comprehensive budget includes funding for operations and capital projects. Our goal is to recommend spending and money management plans that adequately fund Town services while preserving the fiscal health of the Town.

The Committee's budget preparation begins in September with the study of financial projections. This is the start of a continuing process of estimating available revenues in relation to spending needs for the next fiscal year and beyond. Beginning in January, we review in detail the municipal, library and school budget proposals developed by the Town Manager, Library Director and School Superintendent. At weekly meetings, we consult with administrators, staff, members of other boards and committees, and members of the public as we gather information on existing and proposed programs and services, clarify the Town's spending priorities, and identify and quantify the resources projected to be available to meet the Town's needs. We give particular attention to the recommendations of the elected committees when their recommendations become available. Capital spending proposals are evaluated with respect to immediate cost, future debt obligations, impacts on operating budgets and the recommendations of the Joint Capital Planning Committee.

Fiscal Year 2006 spending. During four years of reduced state aid, the Town has used money in Free Cash and the Stabilization Fund to help support operating budgets. This has been done according to guidelines intended to stretch out use of savings so that some money will still be available at least through FY 07, when there is good reason to believe that there will be a significant increase in money coming from the state. There is \$4.4 million remaining in savings, down from \$9.1 in FY 01. The Finance Committee's budget recommendations for FY 06 included use of no more than \$1.7 million to support operations, leaving \$1.7 available for future budgets, plus \$1 million set aside for emergency use. The Town has been using decreasing amounts of savings since FY 04, when the amount used was \$3.4 million. Various other one-time sources of funds of lesser amounts have also been used. The structural deficit – the amount of recurring expenses in excess of recurring revenues – is decreasing, but it must be eliminated over the next two or three years.

Operating budgets for FY 06, as recommended by the Finance Committee and approved by Town Meeting, increased over the FY 05 amounts as follows:

- 5.7% Municipal services
- 6.9% Amherst Schools
- 6.5% Amherst-Pelham Regional Schools assessment
- 6.2% Library Services tax support

The Finance Committee gave extended consideration to some specific issues. The most financially significant one was a sudden, necessary increase in health insurance premiums. The towns of Amherst and Pelham and the Amherst-Pelham Regional School District have jointly purchased health insurance since 1957, and since 1986 have self-insured for employee health care. This means that actual health care claims and administrative fees are paid to health care providers and are funded by “premiums” paid by the three entities and its employees. A consultant's report completed in April showed that health care cost increases of recent years, thought by the Town to be caused by temporary increases in large individual claims, were in fact part of a trend. Premium increases had not been sufficient to keep up with the pattern of rising claims, necessitating an increase of 36 percent. This caused adjustments to other parts of operating budgets late in the process. Smaller premium increases are projected for future years, but they may well be in double digits.

The Committee gave thorough consideration to the Golf Course Fund. Golf operations have chronically needed tax support, a situation not anticipated when the Town acquired Cherry Hill Golf Course and began operating it. A request for proposals for outside management did not attract any responses, leaving the Town to decide whether or not to continue the course. We concluded that, with careful management by the Town, operating revenues could conceivably be sufficient to cover expenses, but there could be no guarantee. A decision on whether to continue or to cease golf operations would have to take account of many issues, including whether the Town wants to subsidize golf as it does other forms of recreation, the requirements of grants used to obtain and improve the course, what the Town might use the property for in the absence of golf operations, and what the cost of alternative uses would be. This set of considerations has financial implications but also involves policy questions that are beyond the responsibility of the Finance Committee. Our recommendation to continue funding golf operations followed from the conclusion that the choice to operate or not in FY 06 would be virtually revenue-neutral and that the non-financial issues need to be considered by the appropriate authorities before a long-term choice is made.

The method for calculating assessments to the four towns in support of Amherst-Pelham Regional Schools was another major focus of attention. Three types of method have been used to calculate operating budget assessments since the Region was formed: One was based on the number of students enrolled from each town; a second followed requirements of the Education Reform Act and included measures of each town's ability to pay; and the third type, used for FY 04 and FY 05, simply increased each town's assessment by an equal percent to determine the following year's assessment. For FY 06, the “equal percent” method was applied and modified by increasing Amherst's assessment somewhat and lowering assessments of the other three towns. The Regional School Committee has stated its firm intention to appoint a committee made up of representatives of the four towns to try to devise a long-term solution that will be accepted as equitable by all the towns.

For the third consecutive year, spending for the capital plan was held below the Town's normal level of 10 percent of the levy in order to make more money available for operating costs. For FY 06, \$285,000 of capital funds was used for operating expenses. Also, nothing from the proceeds of 2004's \$2 million override has been directed toward capital projects. The result is that some capital projects are pushed farther into the future and others are foregone altogether. Given that a new fire station and renovation of two elementary school buildings are in the planning stage, the Finance Committee expects that there will have to be a return to the standard of committing a full 10 percent of the levy to capital spending.

The Reserve Fund. The Reserve Fund of FY 05 totaled \$160,000. It was made up of two appropriations: \$100,000 at the May 10 session of the 2004 Annual Town Meeting and \$60,000 at the April 27 session of the 2005 Annual Town Meeting. The sum reflected needs resulting from a combination of very tight FY 05 budgets and some unexpected circumstances. The Committee voted the following transfers from the fund at the end of the fiscal year:

\$ 17,320	Veterans' Services – Benefits. Required payments exceeded the original appropriation by \$45,000. Most of the shortfall was covered by unspent appropriations elsewhere in the Community Services budget.
91,000	Elementary Schools. \$70,000 was due to unexpected increases in utility costs. The remaining \$21,000 covered increased costs of Workmen's Compensation/Unemployment/Property Insurance.
51,680	Snow and Ice. The total shortfall was \$132,639, leaving \$80,959 to be covered by the FY 06 levy or by a possible state supplemental appropriation.
<hr/> \$160,000	Total

If there is a large enough state supplemental appropriation for Snow and Ice, it could eliminate the shortfall to be raised on the FY 06 levy.

Meetings. The Committee held 36 meetings during FY 05. Of these, seven were held in conjunction with Town Meeting sessions; one was a combined meeting with the Select Board, School Committee and Jones Library Trustees; and two were with Select Boards, Finance Committees and School Committees of the four towns of the Amherst-Pelham Regional School District. Individual members attended budget-related meetings of the Select Board, School Committee and Library Trustees. Mr. Massengill represented the Committee on the Comprehensive Planning Committee. Ms. Moran and Ms. Carlozzi were the Finance Committee's members of the Joint Capital Planning Committee. Mr. Brose was a member of the Audit Committee.

Members. Brian Morton continued his valuable service as Vice-Chair of the Committee. Other members this year were Marilyn Blaustein, Carlton Brose, Michael Mascis, Matthieu Massengill, Kay Moran and, in mid-June, Irvin Rhodes. Mr. Brose resigned in June, after contributing his thoughtfulness, wisdom and enthusiastic participation for seven years

Thanks. The Finance Committee always relies on the assistance of administrators and staff of all Town departments for information and insights essential to our work. We appreciate the time they commit to us. We rely on the collaboration of other Town committees, and we value the

comments and questions we receive from Town Meeting members and other citizens. People in the Town Manager's office keep our schedule and paper work organized. Much of the information we use is based on work done in the Finance Department. We thank them all. We are particularly pleased with our productive association with John Musante, the Town's new Finance Director/Treasurer and our staff liaison. He very quickly impressed us with his professional expertise and enthusiastic helpfulness.

Alice Carlozzi, Chair